

MONTHLY REPORT

For the period ended 30 June 2019

Market performance summary – June in a snapshot

- It was a positive month for investors with all markets performing well. The continued yo-yo nature of the relationship between US and China are driving short-term ups and downs in the market, with June ending on the positive note.
- All NZDF Savings Schemes' investment options had positive returns for the month.
- In the recent retirement preparedness survey some of you commented on the need for Financial Advice. If you are an NZDF member or a member of one of the NZDF Savings Schemes you have access to financial advice through Milestone Direct. You can contact the team at Milestone Direct on 0508 MILESTONE (0508 645 378).
- Funds under management (FUM) in the NZDF Savings Schemes hit the \$500m mark for the first time. This is a significant milestone for the schemes.

Read more about the markets and investment performance in this monthly report.



Monthly Commentary Ended 30 June 2019

June was a good month for investors with all investments delivering positive returns and shares recovering from the falls in May. The key reasons for the rebound in the share markets were an improvement in the relationship between the US and China as well as further commitment to by the major central banks to keep lower interest rates which in turn would promote further economic growth. However, a fair amount of uncertainty remains and many investors continue to favour government bonds. Govt bonds are considered to be a safer investment in times of investment uncertainty.

The New Zealand and Australian markets were roughly similar to each other over the month, gaining +3.9% and +3.7% respectively. With interest rates abroad nearing record lows, the two Trans-Tasman markets retain their attractiveness, particularly to overseas investors. 12-month returns from both markets are comfortably in the double-digits.

Both the developed and emerging share markets also performed well returning (+5.9%) and (+4.6%) respectively.



Significant developments include:



Mexico & United States

President Trump also dialled back his threat of tariffs on Mexican goods during the month; whilst the news was generally welcome, it also highlights market concerns over the unpredictability of future global trade policy.

Iran & United States

Tensions between the US and Iran flared up when Iran's Islamic Revolutionary Guard Corps shot down an American surveillance drone. Despite the regional tension, oil prices remained relatively stable.

China & United States

The suspension of recent additional US tariffs on Chinese goods and signs of a lifting of the trade ban on Huawei led to an amicable meeting between US President Donald Trump and his Chinese counterpart President Xi Jinping at the G20 summit in Osaka. The positive trade talks helped allay some market fears of trade war escalation despite a formal trade deal still proving elusive.

New Zealand

The Reserve Bank of New Zealand (RBNZ) left the Official Cash Rate (OCR) unchanged at 1.50%, while the RBNZ Monetary Policy Committee suggested that a lower OCR may be needed if the growth outlook were to deteriorate further.

Milestone Direct Monthly Commentary Ended 30 June 2019

Perhaps unsurprisingly, all NZDF Schemes reported another gain this month. The reason I say unsurprisingly is because over the long-run investment markets go up more than they go down – which is the exact reason why people, businesses, and organisations all invest in them!

For example, even if you were one hundred percent invested in shares (which is a choice you have in the NZDF Schemes, though most members invest in one of the other six choices which come with lower expectations of risk and return), you would have a large number of shares in the United States, the largest investment market in the world. By historical average, this market only goes down in value every fourth year. Even then, the positive years far outweigh the negative ones.

Additional to the facts above, the NZDF Schemes are managed by a well-regarded investment manager with global coverage, Mercer. Mercer's active management of these schemes and thorough diversification mean that we'd expect that they'll outperform the market itself over the long-term – which means investors will have even more in their accounts. In the investment community Mercer is thought of as a "safe pair of hands" who are expected to do particularly well during downturns in the investment markets too.

It'd be the pleasure of one of our financial advisers to have a no-obligation discussion with you about investment choices which might suit you. It costs nothing to chat to us about which NZDF fund choice is right for you, so please get in touch by calling **0508 MILESTONE (0508 645 378)** or by emailing info@milestonedirect.co.nz.

Joseph Darby
Chief Executive
Milestone Direct

The views and opinions expressed in this commentary are intended to be of a general nature and do not constitute personalised advice for an individual client. Before making any investment, insurance or other financial decisions, you should consult a professional financial adviser. A Product Disclosure Statement is available on request and free of charge.



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For more information call 0800 333 787 or visit www.nzdf.superfacts.co.nz

Investment Returns For Periods Ended 30 June 2019

New Zealand Defence Force FlexiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.08	0.28	0.28	0.32	1.16
	Conservative	1.11	1.66	1.66	1.78	3.54
	Moderate	1.33	1.78	1.78	1.85	4.65
	Balanced	1.87	2.34	2.34	2.41	6.42
	Growth	2.46	2.84	2.84	2.91	8.33
	High Growth	2.81	3.26	3.26	3.27	9.81
	Shares	3.67	4.10	4.10	4.16	11.41
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.09	0.32	0.32	1.32	1.46
	Conservative	1.18	1.78	1.78	4.54	3.90
	Moderate	1.39	1.85	1.85	4.59	4.91
	Balanced	2.04	2.41	2.41	5.41	6.92
	Growth	2.67	2.91	2.91	5.73	8.70
	High Growth	2.97	3.27	3.27	6.07	10.08
	Shares	3.89	4.16	4.16	6.28	11.80
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.11	0.35	0.35	1.43	1.43
	Conservative	1.29	1.91	1.91	4.87	4.18
	Moderate	1.53	1.99	1.99	5.03	5.07
	Balanced	2.11	2.49	2.49	5.74	7.09
	Growth	2.70	2.86	2.86	6.03	8.95
	High Growth	3.10	3.34	3.34	6.46	10.39
	Shares	3.97	4.13	4.13	6.62	12.07

Notes

- The investment returns shown on this page are based on the unit price movements of each investment portfolio and are after tax at the rate indicated and after fund charges that are charged within the unit prices.
- Each investor's returns within an investment portfolio will depend on timing of contribution payments and actual fees charged allowing for any fee rebates. The after tax and fees returns shown are therefore indicative of investment results but may differ from the actual after fees and tax returns achieved by individual investors.

* FYTD means Financial Year to Date, which is from 1 April 2019

Investment Returns For Periods Ended 30 June 2019

New Zealand Defence Force KiwiSaver Scheme

PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
28% prescribed investor rate (PIR)	Cash	0.09	0.31	0.31	1.31	1.33
	Conservative	1.09	1.65	1.65	4.07	3.73
	Moderate	1.35	1.83	1.83	4.30	4.68
	Balanced	1.92	2.39	2.39	4.97	6.62
	Growth	2.46	2.84	2.84	5.21	8.29
	High Growth	2.83	3.31	3.31	5.63	9.80
	Shares	3.69	4.12	4.12	5.76	11.38
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
17.5% prescribed investor rate (PIR)	Cash	0.10	0.34	0.34	1.47	1.51
	Conservative	1.18	1.80	1.80	4.66	4.04
	Moderate	1.45	1.94	1.94	4.79	5.06
	Balanced	2.06	2.47	2.47	5.48	6.94
	Growth	2.65	2.93	2.93	5.78	8.74
	High Growth	3.07	3.39	3.39	6.15	10.17
	Shares	3.91	4.14	4.14	6.26	11.74
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %
10.5% prescribed investor rate (PIR)	Cash	0.11	0.38	0.38	1.62	1.65
	Conservative	1.28	1.92	1.92	5.00	4.27
	Moderate	1.53	2.00	2.00	5.10	5.27
	Balanced	2.15	2.54	2.54	5.74	7.05
	Growth	2.76	2.90	2.90	6.00	8.88
	High Growth	3.13	3.35	3.35	6.40	10.39
	Shares	4.01	4.18	4.18	6.42	12.03

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Investment Returns For Periods Ended 30 June 2019

Defence Force Superannuation Scheme

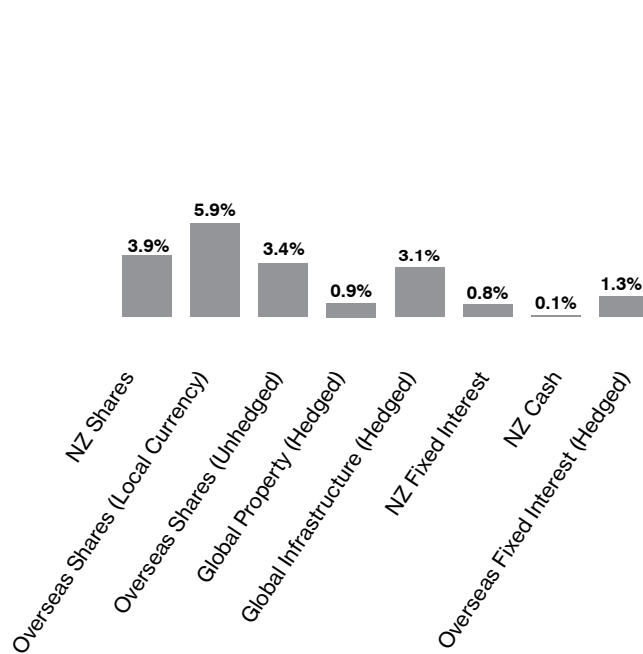
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
28% prescribed investor rate (PIR)	Cash	0.09	0.30	0.30	1.28	1.32	-
	Conservative	1.14	1.72	1.72	4.06	3.76	-
	Moderate	1.36	1.83	1.83	4.32	4.85	-
	Balanced	1.92	2.39	2.39	5.00	6.69	5.67
	Growth	2.46	2.82	2.82	5.23	8.43	-
	High Growth	2.88	3.36	3.36	5.55	9.92	-
	Shares	3.72	4.14	4.14	5.74	11.50	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
17.5% prescribed investor rate (PIR)	Cash	0.10	0.35	0.35	1.48	1.51	-
	Conservative	1.21	1.85	1.85	4.60	4.14	-
	Moderate	1.45	1.95	1.95	4.83	5.19	-
	Balanced	2.07	2.49	2.49	5.52	7.03	5.95
	Growth	2.63	2.93	2.93	5.80	8.77	-
	High Growth	3.01	3.34	3.34	6.12	10.32	-
	Shares	3.86	4.07	4.07	6.11	12.04	-
PIR	Fund	1 Month %	3 Months %	FYTD* %	1 Year %	3 Years %	5 Years %
10.5% prescribed investor rate (PIR)	Cash	-	-	-	-	-	-
	Conservative	1.29	2.00	2.00	-2.70	-	-
	Moderate	1.54	2.03	2.03	5.15	-	-
	Balanced	2.14	2.54	2.54	5.78	7.18	6.07
	Growth	2.76	2.93	2.93	6.04	-	-
	High Growth	3.10	3.33	3.33	6.52	10.60	-
	Shares	3.99	4.11	4.11	6.48	12.20	-

Notes

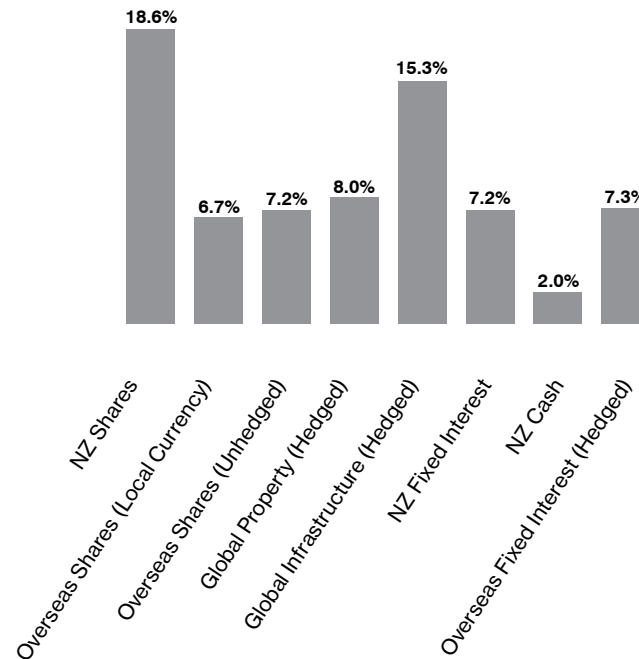
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 - '-' indicates that investment option was not operating for the full period or did not have funds invested for the full period.
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Financial Markets For Periods Ended 30 June 2019

One Month



One Year



Key

NZ SHARES

S&P/NZX 50 (with ICs)

OVERSEAS SHARES (LOCAL CURRENCY

MSCI World (Local Currency)

OVERSEAS SHARES (UNHEDGED)

MSCI World (Unhedged)

GLOBAL PROPERTY (HEDGED)

FTSE EPRA NAREIT Developed

GLOBAL INFRASTRUCTURE (HEDGED)

FTSE Global Core Infrastructure 50/50

NZ FIXED INTEREST

Bloomberg NZ Bond Composite

NZ CASH

ANZ 90 Day Bank Bills

OVERSEAS FIXED INTEREST (HEDGED)

Bloomberg Global Aggregate

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